

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

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CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 EA-11 STR-08 /122 W

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R 101120Z APR 74

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 5433

UNCLAS VALLETTA 0673

E.O. 11652: N/A

TAGS: EFIN, MT

SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: A. STATE 053993 B. VALLETTA A-77, MAR 29, 1973

1. IN RESPONSE TO REF A, THE EMBASSY IS TRANSMITTING ONE PAGE ON MALTA' INVESTMENT CLIMATE. INVESTMENT STATISTICS HAVE ALREADY BEEN TRANSMITTED TO DEPT PER REF B AND DATA PUBLISHED IN SURVEY OF CURRENT BUSINESS (SEPT 1973).

2. BEGIN NARRATIVE: MALTA'S INVESTMENT CLIMATE SHOULD BE CONSIDERED AGAINST THE GOVERNMENT'S ECONOMIC DEVELOPMENT OBJECTIVES. THE PRESENT LABOR ADMINISTRATION IS TRYING TO ATTRACT FOREIGN ENTERPRISES WHOSE VIABILITY DEPENDS BASICALLY ON EXPORT PERFORMANCE. PRIMARY IMPORTANCE IS GIVEN TO LABOR-INTENSIVE PROJECTS. THE GOVERNMENT, THROUGH THE MALTA DEVELOPMENT CORPORATION, OFFERS VARIOUS INCENTIVES TO FOREIGN INVESTORS AMONG WHICH ARE FACTORIES AT SUBSIDIZED RENT, LAND FOR FACTORY BUILDING, CUSTOMS DUTY EXEMPTIONS, INVESTMENT AND DEPRECIATION ALLOWANCES AND A REDUCED RATE OF TAXATION ON PROFITS ON PROFITS REINVESTED LOCALLY. ALTHOUGH 26 PROJECTS STARTED OPERATIONS IN 1973, PRIVATE SECTOR INVESTMENT WAS NOT ALWAYS FORTHCOMING. IN SUCH CASES, THE PUBLIC SECTOR HAS TENDED TO INVOLVE ITSELF UNDER CURRENT MLP ADMINISTRATION. EXAMPLES OF THIS ARE THREE LOCAL FIRMS WHICH WENT BANKRUPT (I.E., MALTABRASS, CARDONA LEATHERGOODS

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AND MELITA KNITWEAR) AND WHICH WERE TAKEN OVER BY THE GOVERNMENT

WITH CHINESE GOVERNMENT AID (IN THE CASE OF THE FIRST TWO)  
AND BY THE MALTA DEVELOPMENT CORPORATION AND THE GENERAL WORKERS'  
UNION (IN THE CASE OF THE LATTER FIRM). THE GOVERNMENT IS ALSO  
PARTICIPATING IN OTHER CHINESE-AIDED ENTERPRISES SUCH AS GLASS  
AND CEMENT PRODUCTS MANUFACTURE. MOREOVER, WITH POSSIBLE FRENCH,  
GERMAN, U.S. AND ITALIAN INVESTMENT, THE GOVERNMENT IS UNDER-  
TAKING THREE SHIPBUILDING PROJECTS WITH A PRODUCTION CAPACITY  
RANGING FROM 10,000 TO 300,000 DWT. TONS.

DURING THE PAST YEAR, THERE HAS BEEN A LITTLE NET INCREASE  
IN THE INFLOW OF FOREIGN INVESTMENT IN MALTA. OF PARTICULAR  
INTEREST IS THE FACT THAT TWO U.S. COMPANIES HAVE BOUGHT INTERESTS  
IN TWO LOCAL FIRMS, I.E., STANMORE PRODUCTS (MALTA) LTD.,  
AND MALTA INDUSTRIAL CLOTHING. ANOTHER MAJOR U.S. INVESTMENT  
IS UNDER CONSIDERATION. GERMANY, ITALY, AND JAPAN STILL REPRESENT  
THE THREE LARGEST FOREIGN INVESTMENT SOURCES FOR MALTA.

ABOUT ONE-QUARTER OF THE WORKING POPULATION IS UNIONIZED.  
IN PRIVATE INDUSTRY, CONDITIONS OF WORK ARE REGULATED BY A NUMBER OF  
WAGE COUNCIL ORDERS. IT IS THE GOVERNMENT'S POLICY TO PROCURE  
GOODS THROUGH THE ISSUE OF TENDERS. THERE IS NO ANTITRUST LEGIS-  
LATION AND NO EXPROPRIATION OR INCONVERTIBILITY RESTRICTIONS  
IN MALTA.. A DRAFT DOUBLE-TAXATION TREATY BETWEEN MALTA AND  
THE UNITED STATES IS UNDER CONSIDERATION. END NARRATIVE.TUCKER

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## Message Attributes

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